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April 2, 2012

VIA ECFS

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street
Washington, D.C. 20554

Re: US CONNECT LLC
Comments in Response to the Commission's FNPRM Regarding Lifeline and Link
Up Reform and Modernization
WC Docket Nos. 11-42, 03-109, 12-23 & CC Docket No. 96-45

Dear Ms. Dortch:

Attached please find the Comments of US CONNECT LLC in the matter of Lifeline and Link Up Reform and Modernization, Lifeline and Link Up, Federal-State Joint Board on Universal Service, Advancing Broadband Availability Through Digital Literacy Training.

If you have any questions or if I may provide you with additional information, please do not hesitate to contact me. Thank you for your assistance.

Respectfully submitted,

/s/ LANCE STEINHART

Lance J.M. Steinhart
Attorney for US CONNECT LLC

Attachments

cc: Stephen Scott

**Before the
Federal Communications Commission
Washington, DC 20554**

In the Matter of)	
)	
Lifeline and Link Up Reform and Modernization)	WC Docket No. 11-42
)	
Lifeline and Link Up)	WC Docket No. 03-109
)	
Federal-State Joint Board on Universal Service)	CC Docket No. 96-45
)	
Advancing Broadband Availability Through Digital Literacy Training)	WC Docket No. 12-23
)	

**COMMENTS OF US CONNECT LLC IN RESPONSE TO THE COMMISSION’S
FURTHER NOTICE OF PROPOSED RULEMAKING REGARDING LIFELINE AND
LINK UP REFORM AND MODERNIZATION**

**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, DC 20554**

In the Matter of)	
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Lifeline and Link Up Reform and Modernization)	WC Docket No. 11-42
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FURTHER NOTICE OF PROPOSED RULEMAKING REGARDING LIFELINE AND
LINK UP REFORM AND MODERNIZATION**

I. INTRODUCTION

US CONNECT LLC (“US Connect” or “the Company”), by its attorney, hereby submits these comments in response to the Further Notice of Proposed Rulemaking (“FNPRM”) of the Federal Communications Commission (“FCC” or “Commission”) regarding Lifeline and Link Up Reform and Modernization.¹ In its *Lifeline and Link Up Reform Order*, the Commission invited comment on a number of issues related to the Lifeline program, including establishing an eligibility database, advancing broadband availability through digital literacy training, limiting section 251 resale of Lifeline-supported services, establishing a permanent support amount for voice service support, reforming Lifeline and Link Up support on Tribal lands, adding Women, Infants and Children (“WIC”) to the list of qualifying programs for Lifeline, establishing eligibility

¹ *In the Matter of Lifeline and Link Up Reform and Modernization, Lifeline and Link Up, Federal-State Joint Board on Universal Service, Advancing Broadband Availability Through Digital Literacy Training*, WC Docket No. 11-42, WC Docket No. 03-109, CC Docket No. 96-45, WC Docket No. 12-23, Report and Order and Further Notice of Proposed Rulemaking, FCC 12-11 (rel. Feb. 6, 2012) (“*Lifeline and Link Up Reform Order*”).

for homeless veterans, determining whether ETCs should be required to apply the Lifeline discount on all of their voice and data packages, examining whether the Commission should further clarify the “own facilities” requirement, determining whether ILECs should have the ability to opt out of the Lifeline program as well as whether the record retention requirement should be lengthened from three years to ten years.²

Accordingly, US Connect submits its comments in regard to establishing a permanent support amount for voice service support.

II. BACKGROUND

A. Lifeline and Link Up Reform Order

In the *Lifeline and Link Up Reform Order*, the Commission reforms and modernizes the USF Lifeline program by adopting reforms that strengthen protections against waste, fraud, and abuse, improve program administration and accountability, improve enrollment and consumer disclosures, initiate modernization of the broadband program, and constrain the growth of the program to reduce the burden of those who contribute to the USF.³ The three performance goals outlined for the Lifeline program are to ensure the availability of voice service for low-income Americans, ensure the availability of broadband service for low-income Americans, and minimize contribution burden on consumers and businesses.⁴ Among the Commission’s adopted reforms include: eliminating Link Up support in non-Tribal areas; phasing out toll service support; granting blanket forbearance for Lifeline-only ETCs with approved compliance plans; enhancing the role of databases for duplicates and enrollment; requiring de-enrollment under several situations, including non-usage; changing the reimbursement process; and increasing

² *Lifeline and Link Up Reform and Modernization, Advancing Broadband Availability Through Digital Literacy Training*, 77 Federal Register 42 (March 2, 2012), p. 12784 (“*Lifeline and Link Up Reform Summary*”).

³ *Id* at 12785 ¶ 1.

⁴ *Id* at 12953 ¶ 5.

audits and enforcement. Most notable to the Company, the *Lifeline and Link Up Reform Order* establishes an interim base of uniform support amount of \$9.25 per month for non-Tribal subscribers to simplify program administration.⁵

B. Company Overview

US Connect is a Georgia Limited Liability Company with principal offices located at 705 Commerce Street, Southlake, Texas 76092.⁶ US Connect is a provider of commercial mobile radio service (“CMRS”) throughout the United States, and provides prepaid wireless telecommunications services to consumers by using the Sprint network on a wholesale basis to offer nationwide service. US Connect obtains from Sprint the network infrastructure and wireless transmission facilities to allow the Company to operate as a Mobile Virtual Network Operator (“MVNO”). US Connect purchases services on a wholesale basis for mobile calling and text messaging, packages those services into US Connect’s own service plans and pricing, and bundles those wireless services with US Connect’s handset selection, mobile applications, marketing materials, web interface, and customer service to produce finished wireless service offerings to sell to end-user customers.

US Connect has been designated as an ETC Arkansas, Maryland and West Virginia and currently has applications for ETC designation pending with Colorado, Georgia, Illinois, Louisiana, Minnesota, Oklahoma, Pennsylvania, and Utah; no such petitions have been denied. In its provision of Lifeline services across the states designated, the Company strives to further the goals of the Commission’s Lifeline program by bringing affordable, yet quality, wireless service to low-income Americans.

⁵ *Id* at 12786 ¶ 4.

⁶ US Connect was organized in the State of Georgia on January 7, 2011.

III. THE COMMISSION SHOULD INCREASE THE FLAT-RATE LIFELINE SUPPORT AMOUNT FOR VOICE SERVICE SUPPORT

The Commission has set a flat-rate of reimbursement representing the nationwide average rate of reimbursement as of September 2011 - \$9.25.⁷ US Connect supports the flat-rate of reimbursement as it increases carriers' efficiency operating across numerous states. However, US Connect believes the rate of \$9.25 does not account for the overall costs to support the program, especially in light of the new requirements placed on carriers with the recent adoption of the Commission's *Lifeline and Link Up Reform Order*. For example, the FCC requires ETCs to carry additional cost burdens to support Lifeline customers during periods of suspension as outlined in the 60 to 90 day non-usage period; this significantly contributes to the cost burden without offsetting revenue. The addition of a third-party administrator to check eligibility places another additional, and unnecessary, cost burden on carriers, and ultimately on the Lifeline program. Requiring longer retention of Lifeline documentation records imposes yet another cost burden affecting carriers' ability to continue to provide quality affordable service. All of these measures significantly contribute to the cost burden without offsetting revenue.

In addition to the new cost burdens stemming from the Commission's recent adoption of the reforms in the *Lifeline and Link Up Reform Order*, US Connect and other ETCs already incur significant start-up and monthly costs with each Lifeline customer. One-time costs per Lifeline customer include costs associated with phone handsets, requisite programming, activation, distribution, shipping and handling, etc. Recurring monthly costs per Lifeline customer include costs associated with account management, provision of customer service, compliance, minutes, texts, SG&A, etc. Additional cost burdens require higher Lifeline subsidy support.

⁷ *Lifeline and Link Up Reform Summary* at 12953 ¶ 7.

US Connect believes the flat-rate of \$9.25 should be increased. Setting a permanent \$9.25 rate would diminish any value of the benefit to the Lifeline customer and will decrease that value over time as both the market and consumer needs change. Setting a higher subsidy would allow the Company to meet evolving consumer needs. The value of a \$9.25 subsidy to the end customer rapidly diminishes as cost burdens on the carrier inevitably increase. Setting a higher subsidy now means a less rapidly diminishing value to the Lifeline consumer (i.e. postponing the need to charge consumers for phone handsets). Moreover, a higher subsidy would allow carriers to provide greater benefit to consumers because the subsidy is passed on 100% to the consumer. The Commission's setting a permanent \$9.25 subsidy for voice service support would only serve to deteriorate the value of that support to the end customer.

IV. CONCLUSION

For reasons stated in the comments above, US Connect respectfully requests that the Commission increase the Lifeline support amount especially in consideration of current cost burdens and the added cost burdens of implementing other mandated reforms.

Respectfully submitted,

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